

24 March 2023

Dear Shareholder,

This is my report for the quarter ended March 2023, a brief communication was sent to you dated 31 January 2023.

The financial outlook remains pessimistic, and this has been recently highlighted by banking events in the United States, commentary regarding the reduction in spending and the continuing program by the Reserve Bank to curb inflation identified by the last rate announcement of 23 February 2023 from 4.25% to 4.75%. The next Reserve Bank announcement is due 5 April 2023.

Further to my positive comments about our Christmas / New Year trading, the Mall continues to enjoy improved turnover figures with the February 2023 tenant turnover figure surpassing all previous February's on record. The recorded foot fall increased by 8.3% from the previous February but one has to interpret such data with some circumspection due to the previous complexities of the impact of Covid to trading patterns. The Pak N Save supermarket is a major influence upon these positive results.

If these National recessionary factors do start to accelerate, then such positivity can only assist our leasing agents to secure long term replacements if some attrition should occur.

The concerns registered by me in the December 2022 report [5<sup>th</sup> paragraph] remain, it is frustrating that there has yet to be an indication as to when these continuous interest rate rises will plateau. At our recent meeting with senior bank officials (20 March 2023) the main five bank forecasts have an average OCR rate of [4.75% March 2023, 5.25% June 2023, 5.31% Sept 2023, 5.31% Dec 2023, 5.25% Mar 2024, 5.00 June 2024]

We await the Valuer's annual determination, the prediction that capitalization rates will show a marked increase continues. The completion of the seismic repairs and lift will add clarity to the final calculations.

The Board has carried out Operating Strategic discussions with our Managing Agents, Colliers and these are in accordance with those listed within the website. The discussions are ongoing and attempt to identify the optimum rental structures for the medium and long term. Alongside this is the short term planning exercise to initiate reaching such strategic objectives.

The Corporate Governance Strategy is also being worked on but the revision of the existing is at an early stage. Explanations will take place at the next Annual General Meeting.

The Board has constructed conservative projections for the twelve month period ended 29 February 2024 with an estimate of OCR rates peaking early at 5.25% and 5.50% with no reduction in the later quarters. For the financial year ended 28 February 2023 SCIL has experienced a 111% increase in its interest rate, this has been alleviated to some extent by the swap arrangement, which ceases November 2024.

As can be appreciated such an increase is a major drain on our cash resources, we have maintained consistent quarterly payouts for some period of time but after due deliberation the Board has reassessed the dividend rate to accommodate this situation.

It is with a great deal of disappointment to announce that the March 2023 quarterly dividend rate will be at the annual gross rate of 3.25 cents per share.

As per previous announcements such determinations will be assessed by the Board each quarter to determine the capacity of the Company to pay a quarterly dividend and to meet the solvency test and our Bank covenant requirements. At the recent meeting with the Bank our covenant requirements have been relaxed to some degree in recognition of the National recessionary pressures.

I must stress that our continuing policy is that though dividend rates may fluctuate, the intention is to maintain quarterly declarations.

I would hope that this reduction in the dividend rate is identified as being a pragmatic and prudent resolution during a time of uncertainty. We look forward to the forecasted reductions in interest rates coming to pass early in the 2024 year.

The Mall continues to maintain very satisfactory indicators of confidence and wellbeing with high standards of presentation and managerial control.

Best wishes.

A handwritten signature in black ink, appearing to read 'M J Keyse', written in a cursive style.

Michael Keyse  
Chairman  
Shopping Centre Investments Limited